

# House Study Bill 154 - Introduced

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON JUDICIARY BILL BY  
CHAIRPERSON BALTIMORE)

## A BILL FOR

1 An Act specifying notice of right to cure provisions applicable  
2 to a closed credit card account.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 537.5110, subsection 2, paragraph a,  
2 Code 2013, is amended to read as follows:

3 a. A creditor who believes in good faith that a consumer is  
4 in default may give the consumer written notice of the alleged  
5 default, and, if the consumer has a right to cure the default,  
6 shall give the consumer the notice of right to cure provided  
7 in section 537.5111 before commencing any legal action in any  
8 court on an obligation of the consumer and before repossessing  
9 collateral. If the obligation is a credit card account that  
10 has been closed, in lieu of giving the notice of right to cure  
11 provided in section 537.5111, the creditor shall give the  
12 notice of right to cure provided in section 537.5112 before  
13 commencing any legal action in any court on the obligation of  
14 the consumer. However, this subsection and subsection 4 do  
15 not require a creditor to give notice of right to cure prior  
16 to the filing of a petition by a creditor seeking to enforce  
17 the consumer's obligation in which attachment under chapter 639  
18 is sought upon any of the grounds specified in section 639.3,  
19 subsections 3 to 12.

20 Sec. 2. Section 537.5110, subsection 4, paragraph c, Code  
21 2013, is amended to read as follows:

22 c. Until the expiration of the minimum applicable period  
23 after the notice is given, the consumer may cure the default by  
24 tendering either the amount of all unpaid installments due at  
25 the time of the tender, without acceleration, plus any unpaid  
26 delinquency or deferral charges, or the amount stated in the  
27 notice of right to cure, whichever is less, or by tendering any  
28 performance necessary to cure any default other than nonpayment  
29 of amounts due, which is described in the notice of right to  
30 cure. The Unless the obligation in default is a credit card  
31 account that has been closed, the act of curing a default  
32 restores to the consumer the consumer's rights under the  
33 agreement as though no default had occurred, except as provided  
34 in subsection 3.

35 Sec. 3. NEW SECTION. 537.5112 Notice of right to cure —

1 **closed credit card accounts.**

2     1. The notice of right to cure an obligation in default  
3 on a closed credit card account shall be in writing and  
4 shall conspicuously state the name, address, and telephone  
5 number of the creditor to which payment is to be made, a  
6 brief identification of the credit transaction and of the  
7 consumer's right to cure the default, a statement of the nature  
8 of the right to cure the default, a statement of the nature  
9 of the alleged default, a statement of the total payment,  
10 including an itemization of any delinquency or deferral  
11 charges imposed after the credit card account was closed,  
12 any legally authorized collection costs or attorney fees, or  
13 other performance necessary to cure the alleged default, and  
14 the exact date by which the amount must be paid or performance  
15 tendered.

16     2. A notice in substantially the following form complies  
17 with this section:

18 .....

19 (name, address, and telephone number of creditor)

20 .....

21 (account number, if any)

22 .....

23 (brief identification of credit transaction)

24     You are now in default on this credit transaction. You have a  
25 right to correct this default until ... (date). Your default  
26 consists of

27 .....

28 (describe default alleged)

29 Correction of the default: Before ..., (date)

30 .....

31 (describe the acts necessary for cure)

32     If you do not correct your default by the date stated  
33 above, we may exercise rights against you under the law.

34     If we arrange for installment payments with you to satisfy  
35 this debt and you default on one or more of the installment

1 payments within the next year, we may exercise our rights  
2 without sending you another notice like this one. If you have  
3 questions, write or telephone promptly.

4 .....

5 (the creditor)

6 3. A creditor gives notice to the consumer under this part  
7 when the creditor delivers the notice to the consumer or mails  
8 the notice to the consumer at the consumer's residence as  
9 defined in section 537.1201, subsection 4.

10 Sec. 4. Section 537.5201, subsection 1, paragraph a,  
11 subparagraph (26), Code 2013, is amended to read as follows:

12 (26) Failure to provide a proper notice of cure or right to  
13 cure under sections 537.5110, and 537.5111, or 537.5112.

14 EXPLANATION

15 This bill specifies notice of right to cure provisions  
16 applicable to a credit card account that has been closed.

17 The bill provides notice of right to cure provisions  
18 contained in new Code section 537.5112 that will apply to  
19 closed credit card accounts, which are similar to general  
20 notice of right to cure provisions contained in Code section  
21 537.5111 requiring a creditor to provide specified information  
22 to a consumer in a specified format in connection with a credit  
23 transaction in default.

24 The new Code section differs from the general provisions  
25 in requiring the notice to include an itemization of any  
26 attorney fees applicable to the defaulted account, and by  
27 providing a statement that if the creditor arranges for  
28 installment payments with the consumer to satisfy the debt  
29 and the consumer defaults on one or more of the installment  
30 payments within the next year, the creditor may exercise their  
31 rights without sending the consumer another notice of right to  
32 cure. Additionally, the notice states that if the consumer has  
33 questions, the consumer should write or telephone the creditor  
34 promptly.

35 The bill makes conforming changes reflecting the distinction

H.F. \_\_\_\_\_

1 between a credit transaction on an open account and a closed  
2 credit card account.